Week 2

The definition of CSR used in this course is by Hamilton and Websiter (2012) and states 'Corporate Social Responsibility is the notion that corporations have an obligation to society to take into account not just their economic impact but also their social and environmental impact.

Garriga and Mele (2004) described the ambiguity of CSR, as it may convey legal responsibility, ethical behavior, charitable contribution, promoting legitimacy or a form of fiduciary duty imposed on business.

Sun, Steward and Pollard (2010) demonstrate CSR to be more about caring for any possible negative impacts of business on society.

Corporate philanthropy is the act of a business promoting the welfare of others.

Garriga and Mele (2004) proposed that the theories and approaches to CSR could be classified into 4 groups. These groups represent the different ways in which people view the necessity of CSR and look at why they are completing it.

1. Instrumental theories, which look at the corporation only as an instrument for creating profits, the CSR is only a way of improving financial returns. The Key to identifying instrumental theories is that they often go hand in hand with marketing, and not necessarily focus on those directly affected by their operations.

   Instrumental theories may come in the form of the following approaches:
   - Maximizing share holder value
   - Strategies for achieving competitive advantage (investing in their community that will generate direct returns, targeting the bottom of the economic pyramid,
   - Cause related marketing, pink ribbon and mount franklin wit proceeds of water purchasing going towards the charity is an example of this.

2. Political theories, which look at the corporation as having power in society, and a need to fulfill the responsibility of that power. The key to identifying a political theory is that it is focused on maintaining their power.

   Political theories see the relationship between society and business as one of the following:
   - Corporate constitutionalism, where the business is an institution, which has powers to be used in a responsible manner. The firm's power comes not only from within but from external sources, and it must act responsibly to keep the external source satisfied.
   - Integrative social contract theory, which looks at business as entering into a contract with society, they must act responsibly to maintain the contract.

- Corporate citizenship

Political theories are largely based on the idea that whoever has the responsibility in society but does not use it will lose it to somebody who does.

3. Integrative theories are that the corporation is focused on satisfying social demands, it is not just enough to produce products for people to buy, but rather the whole firm should be satisfying the needs of society. The key to identifying integrative theories is that they focus on those directly affected by them, such as the surrounding community.

   These theories are based on the idea that business NEEDS society for existence, and must fulfill their demands, whatever they are, which may come in one of the following forms:
   - Issues management (looking at the gap between societal expectations and reality.)
   - Public responsibility (a responsibility to progress society)
   - Stakeholder management (looks to assess all affected)
   - Corporate social performance

4. Ethical theories look at CSR as a purely philosophical responsibility of corporation to society. The key to identifying this is that it comes from a purely moral perspective, which may not yield any of the other benefits.
   - Normative stakeholder theory (this revolves around another approach towards why you are assessing stakeholders, profit or morals.)
   - Universal rights (human rights, animal rights)
   - Sustainable development
   - Common good approach

The second part of CSR theory is looking at whether CSR will generate strategic benefits for the business. Burke and Logsdon created requirements that must be fulfilled in order for a business's CSR to create value creation.

To determine the strategic benefits of CSR, the following criteria must be met:

Centrality is a measure of closeness of fit between a CSR policy or Programme and the firm's mission and objectives. This means how close are their activities to their mission statement.

Specificity is the ability to capture returns from their initiatives. Providing micro-loans to disadvantaged communities allows specificity for big banks as they generate repurchase intention.

Proactivity is the extent to which their activity is planned and thought out in reflection to movements in society. Partnering with the A league is a planned idea as it continues to grow significantly.